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SUBJECT: THIS WEEK IN ALBANIA, MARCH 1-7, 2008

¶11. (U) The following is a weekly report prepared by Embassy Tirana's local staff to provide political and economic context and insight into developments in Albania.

POLITICAL DEVELOPMENTS

¶12. (U) BUSINESS AS USUAL? NOT ANYMORE: This week in Albania, media reported that two Albanian Members of Parliament brought birthday gifts to a public official who celebrated his 42nd birthday in detention. The Property Registration official was arrested last week by the Financial Crimes Unit of the Tirana Prosecutor General's office. The successful operation led to the arrest of four officials who are implicated in a scheme to forge property titles for a prime construction site in Tirana worth several million dollars. The prosecutor had been investigating the case for two months following a report filed by the legitimate owner of the land.

Two months ago, law enforcement authorities arrested a local mayor, two former mayors, and five local government officials involved in property title forgery. The public perception is that these arrests are only the tip of the iceberg.

¶13. (SBU) The arrests mark a welcome success for law enforcement agencies fighting against corruption. Property registration offices suffer from a reputation for being among the worst centers of corruption, second only to the courts. This is the first major blow against corrupt property registration officials. The two law enforcement operations have also demonstrated that the Prosecutor's office is now able to take action in these cases in spite of the political affiliations of those targeted; the visit of the MPs demonstrates that the officials arrested had close ties within Democratic Party circles. The case also highlights the continuing practice of rewarding party militants with potentially lucrative positions.

ECONOMIC DEVELOPMENTS

¶14. (U) URGENT NEED FOR PENSION REFORM - IT'S A LONG WAY DOWN: The Ministry of Finance and the Social Insurance Institute, with the support of the World Bank, organized a round table that took stock of the current pension system in Albania. The discussion aimed at launching an initiative to establish a wide political and public consensus to adopt a new reform model for the pension system. The Albanian Minister of Finance, Ridvan Bode, emphasized that for such reforms to succeed, they must enjoy the support of the entire political spectrum and have social consensus. The new proposed reform, drafted with the assistance of World Bank experts,

anticipates the adoption of the three columns system. Citizens could select among three options under this proposal: the current compulsory public pension plan, a mixed public and private pension system or a completely private pension plan.

¶5. (SBU) Social insurance reform is "the reform" for many governments worldwide. The Albanian system needs to address two major issues: the low level of benefits it offers and the current system's unreliable financial sustainability. Over the past several years the GOA has increased pension payments in the framework of a poverty alleviation strategy. However, retirement benefits are still insufficient to ensure basic living conditions, especially for those in rural areas. The massive flows of emigrants into towns and the large degree of informality in the labor market make the system unsustainable despite Albania's young population. There have been attempts to diversify benefits and involve the private sector. To date, there are three private pension institutions active in Albania, which are growing due to public anxiety about the viability of the public pension system. However, the government needs to develop a sound financial environment, a viable stock market, and other financial structures to sustain these private initiatives. While pension reform currently appears unavoidable, it is a politically sensitive issue suffering from poor timing since there is just one year until national elections in 2009.

EDUCATION AND CULTURE

¶6. (U) WANT A COFFEE?: There is something to be said about the dynamics of social interactions and the rule of law in every developing country. The amount of faith that individuals place in their politicians, governments, and institutions depends on past history as well as fluctuating social dynamics that characterize countries in transition. To a foreigner who comes to work in Albania, the current state of institution-building may appear

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wanting and getting things done, an impossible task. But little do you know that the best working institution in Albania is the only public space available: the Coffee Shop!

¶7. (U) Albanians discuss their problems in the coffee shop, including politicians debating initiatives, government workers hashing out policy, and students discussing exam questions and fashion trends. At times, this occurs just to have face-to-face interactions with one another to build a personal relationship or professional connection. Others find it easier to explore solutions to personal problems or frustrating situations in their daily lives. Since nepotism was widely established in Albania during communist times (where you were always looking for friends to find more bread and milk in the store), the dynamics of personal interactions are still strong today and account for a great deal of time and energy in the decisions people make. Therefore, the coffee shop becomes the ultimate institution of official complaQng, problem-solving, and entertainment for the majority of the Albanian population. So, next time you see people sitting in a coffee shop, don't think of it as a waste of time, but as an all-purpose social institution for a country in transition.

STORY OF THE WEEK

¶8. (U) TRANSPARENT PROSECUTOR: It is common knowledge that Albanian prosecutors lack basic office infrastructure. One daily reported that a Pogradec prosecutor, due to the lack of office equipment, walked into an internet cafe in that southeastern Albanian city to draft and print two official documents. The first was a basic prosecution letter. The second was considerably more important. It contained all the evidence the prosecutor had collected in the investigation of a smuggler. In a rush, the prosecutor printed the two documents and promptly left the internet cafe. Unfortunately, she forgot to delete the two documents from the computer and half of Pogradec read the once confidential documents.

QUOTE OF THE WEEK

¶9. (U) ". . . If you enter the Socialist Party today, as in the old-time buses most people will say: Don't talk to the driver. When you ask them where the bus is going, they point their finger to the driver and look as (if) they are saying: Only he knows. When you are ready to ask the driver where we are going, people will point to the written instruction saying: Don't talk to the driver. What I said sounds without doubt as a sad joke, and many of my friends would say: It is not important where we are going; it is important that the bus is moving. Yes, this is true. The bus is moving, but the road is long and I cannot remain without speaking . . ."

¶10. (U) Ben Blushi (former Socialist Party (SP) Secretary General and former Chairman of the SP parliamentary group) in an interview describing the present situation of the Socialist Party of Albania.

WITHERS